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NATIONAL FUTURES ASSOCIATION  
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May 29, 2007

**Via E-Mail (secretary@cftc.gov)**

Ms. Eileen Donovan  
Acting Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st St. NW  
Washington, DC 20581

**COMMENT**

**Re: Proposal Regarding the Registration of Intermediaries**

Dear Ms. Donovan:

NFA fully supports the Commission's proposed amendment to CFTC Regulation 3.10 to require all persons registered as futures commission merchants, introducing brokers, commodity pool operators and commodity trading advisors ("registrants") to annually complete an online review of their registration information on file with NFA. This amendment will help ensure that registration information remains accurate and current.

Since July 2002, all registrants have electronically filed their registration applications and all updates thereto through NFA's Online Registration System ("ORS"). Before changing the registration process from paper to an electronic filing, NFA annually sent a pre-printed Form 7-R to each registrant. The pre-printed form contained all of the registrant's current registration information. The firm, after reviewing the pre-printed form and making any necessary changes or noting that no changes were needed, returned the form to NFA. The failure to return the form was deemed to be a request to withdraw from registration. NFA also sent a list of the firm's personnel with the pre-printed form for the firm to review and file termination notices if an individual was no longer with the firm.

When NFA implemented ORS, the annual registration update process was discontinued because each firm had continuous access to ORS to make any necessary changes to its registration information. During the five years since deployment of ORS, NFA has received a number of requests from registrants for NFA to assist them in fulfilling their registration-related obligations by "pushing out" pertinent information to

them. NFA designed its online registration information review process to annually “push out” to the registrants all of their registration information for them to easily review and update. This process essentially mimics the old paper-based annual renewal process but in a more usable and efficient manner.

Additionally, NFA takes very seriously the need to maintain the integrity of the CFTC’s registration information and to protect the privacy of each registrant’s information. The integrity and privacy of the information in ORS depends, in part, on access to the system only by users designated by each firm and authenticated by NFA. Consequently, keeping the list of ORS users current and accurate must be a high priority for every firm. Although NFA is unaware of any unauthorized access to any registrant’s information in ORS, NFA has on occasion become aware of situations in which a firm has not deleted an ORS user’s access even though that person is no longer affiliated with the firm.

NFA also supports the proposed amendment’s provision that a registrant’s failure to timely complete the annual online registration review will be deemed a request to withdraw the registrant’s registration. NFA believes that a registrant will have ample time to complete its annual registration review and this provision underscores and supports the importance to firms of accurately maintaining their registration information and ORS user lists.

At this time, NFA also requests that the Commission consider as part of the current rulemaking a proposed amendment to CFTC Regulation 3.31(c)(1) to extend the time period from 20 to 30 days for a sponsor to notify NFA that it has terminated an AP or principal. As you are aware, by letter dated May 22, 2007, NFA formally submitted to the Commission a petition for rulemaking that relates to this proposed amendment.

As explained in NFA’s petition, certain large FCMs that are also NASD member broker/dealers (“FCM/BDs”) recently pointed out that they are subject to inconsistent regulatory requirements regarding the filing period for termination notices. While Regulation 3.31(c)(1) requires sponsors to file these notices within 20 days, Article V, Section 3(a) of NASD’s Bylaws allows termination notices to be filed within 30 days. These FCM/BDs indicated that the futures industry’s 20-day period is difficult at times to comply with when a termination notice contains disclosure information that has to be reviewed at the branch office and then by the legal and/or registration department, and on occasion the attorney representing the terminated AP, prior to the filing of the notice. To provide regulatory uniformity and address these concerns, NFA has adopted rule amendments to increase the filing period for a termination notice from 20 to 30 days and has submitted those amendments to the Commission for approval. If possible, NFA requests that the Commission include in the current rulemaking an amendment to Regulation 3.31(c)(1) to allow sponsors to notify NFA within 30 days of the termination of an AP or principal.

If you have any questions concerning this letter, please do not hesitate to contact either Michael Crowley at (312) 781-1388 or [mcrowley@nfa.futures.org](mailto:mcrowley@nfa.futures.org) or me at (312) 781-1413 or [tsexton@nfa.futures.org](mailto:tsexton@nfa.futures.org).

Respectfully submitted,

Thomas W. Sexton  
Vice President and General Counsel

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